PERCEIVED FINANCIAL MANAGEMENT PROBLEMS OF RURAL, LOW-INCOME FAMILIES IN THE FAMILY TRAINING CENTER PROGRAM

By

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CHAPTER I

INTRODUCTION

Biblical, philosophical, and legal scholars throughout history have recognized the importance of material resource management in helping people attain a rich, fulfilling life (Smith and Roberson, 1977). In spite of this, many of today's families still face financial management problems. In a recent study of adult functional competencies, Kelso (1977) found the greatest deficiency to be in the area of consumer economics. He determined that 38 percent of adults were functionally illiterate--unable to cope with basic subject matter related to consumer economics--and 30 percent could not function adequately. In terms of population, about 34.7 million adult Americans are functionally illiterate and an additional 39 million cannot function adequately (p. 6).

There is also some evidence that the frequency of severe financial management problems is increasing.

> In statistical year 1977, 214,399 persons or businesses filed bankruptcy. This is the third largest number ever filed under the (Bankruptcy) Act, exceeded only by statistical years 1975 and 1976 (Tables of Bankruptcy Statistics, 1977, p. 3).

Consumer bankruptcies "made up 85 percent of all bankruptcies filed in 1977" (p. 4). Further supporting this increase in financial management problems is the fact that net loan losses of federally insured commercial banks in the United States had nearly tripled between 1971 and 1976 (Federal Deposit Insurance Corporation Annual Report, 1976, p. 259). Pace and Simonsen (1977) attribute over half of all loan losses to poor management skills of the borrower.

The increase in financial management problems is better understood in light of Deacon and Firebaugh's (1975) explanation of the growing complexity of resource management.

> As the economy has grown, the family's managerial options have focused increasingly on money and have become interdependent with general economy. Money--one of many significant resources of individual and family--is likely to be central to planning. The role of money is primarily indirect; it is a medium for value comparisons and claims on resources that are used directly as well as a mechanism for interchanges with the general economy and interactions with other individuals, groups, and institutions. Money has a strategic role when decisions are made about total resources (p. 241).

An increasing body of evidence shows that predicted shortages in both materials and energy will have in inflationary effect upon families and contribute to the already existing financial problems (Metzen, 1975 and Ford, 1975). In the face of economic changes, people will need even more help in understanding and assessing the consequences of their economic alternatives. The content of today's education in financial management must therefore be reevaluated so educators "can serve the needs of a different audience in a better way" (Lawyer, 1977, p. 16). Churaman (1977, p. 21) affirms this need by saying that economic outlooks continue to change and researchers continue to be challenged to "define and redefine goals and areas of competencies" in family economics.

Financial counselors are already recognizing that the old rules for debt evaluation do not always apply (Rader, 1973) and more exact information is needed for various levels of income and family situations. One study on families' perception of their debt has found that rural people who are between 35 and 45 years of age and rural households with incomes under $5,000 per year are less apt to perceive debt as a threat to their financial security than their urban counterparts (Kinsey and Lane, 1978). Although there has been a great deal of research directed at financial needs assessment, there is still a need to update the knowledge about financial management problems of the rural population who have low-income.

Purposes and Objectives

The purpose of this study was to examine perceived financial management problems of a selected group of rural, low-income families. Research objectives for the study were:

1. To examine the differences in the frequency of financial management problems perceived by young families and those perceived by early middle-age families within the rural, low-income population.
2. To examine the differences in the frequency of financial management problems perceived by families with a single-head and those perceived by husband-wife families within the rural, low-income population.

In order to accomplish the above objectives, data were collected which allowed subjective observations of perceived financial management problems of the sample. Therefore, the following general objectives also applied to this study:

3. To describe the perceived frequency of financial management problems of rural, low-income families.
4. To identify the consumer resource management concepts associated with frequently perceived financial management problems of the rural, low-income population.
5. To make recommendations for further research based upon the findings.

Hypotheses

The following hypotheses are postulated to achieve the research objectives of this study:

H_1: There will be no significant difference in the frequency of financial management problems perceived by young families and those perceived by early middle-age families in the rural, low-income population.

H_2: There will be no significant difference in the frequency of financial management problems perceived by families with a single-head and those perceived by husband-wife families in the rural, low-income population.

Limitations and Assumptions

This study was limited by the following factors:

1. The study was limited to current participants in the Family Training Center (FTC) Program located at the former

Glasgow Air Force Base (sometimes referred to as Valley Industrial Park or VIP) in Montana. Participants had been identified by social agencies as rural, low-income families who have financial management problems.

2. The study was limited to those participants who consented to participation in this study.
3. The study was limited to selected financial management problems associated with concepts which consumer education and economic education authorities identify as most necessary to consumer resource management competency.
4. And, the study was limited to selected concepts which research indicated were areas most problematic to low-income families.

It was assumed that the selected families honestly met qualifications for participation in the program and that current participants were representative of families selected for the FTC program. It was also assumed that the selected families were able to accurately relate distinguishing socioeconomic variables important to the study and accurately identify their family's financial management problems. It was further assumed that the responses given accurately represented the problems participants perceived.

Finally, it was assumed that learning readiness in a basic consumer resource management concept existed where participants perceived a financial management problem and the perceived problems could likewise serve as an indicator of conceptual areas where learning readiness existed. Although the author recognized that actual needs and perceived needs are not necessarily the same, that some understanding of a concept will enhance problem perception, and that a total lack of understanding might preclude perception of actual needs, it is assumed that perception of a problem contributes to learning readiness and to attainment of educational objectives. John Dewey prepared the theoretical groundwork for this assumption by statements such as:

> Surely the adult is much more likely to learn things befitting him when his hunger for learning has been kept alive continuously than after a premature diet of adult nutrient has deadened desire to know (Dewey, J. and Dewey, E., 1915, pp. 4-5).

Definitions

The following definitions applied to the terms and phrases used in this study:

Bankruptcy: "A proceeding in a Federal court affording relief to financially distressed debtors" (Smith and Roberson, 1977, p. 319).

Debt: "A sum of money due" (Smith and Roberson, 1977, App. F, p. 213).

Early Middle-Age: "Thirty-five to fifty years of age" (Sommerville, 1972, p. 487).

Economics: As defined by Trujillo (1977) is:

> the study of how individuals and society choose to employ scarce resources to produce goods and services over time and distribute them for consumption among various people and groups to satisfy wants (p. 3).

Educational Needs: As defined by Hood (1967, p. 191), "A need in education is any want, absence, or lack whose fulfillment is a necessary condition for the achievement of a desirable end."

Family: According to Paolucci, Hall, and Axinn (1977), the family is:

> A set of mutually interdependent organisms: intimate, transacting, and interrelated persons who share some common goals, resources, and a commitment to one another that extends over time (p. 18).

Financial Management: Deacon and Firebaugh (1975) describe the process of family financial management by saying:

> Goals, resources, and managerial actions may vary with individual problems, but the basic managerial functions remain the same. The family's organization patterns and nature of it's income flow contribute to . . . planning and implementing functions of management (and) translate individual aspirations and resources into spending and saving patterns (p. 241).

Financial Management Problems: Financial management becomes a problem at the "point where many demands meet too few resources" (Deacon and Firebaugh, 1975, p. 283).

Low-Income: Pride and Ferrell (1977, p. 471) define income as "the amount of money received through wages, rents, investments, pensions, and subsidy payments for a given period." Hall (1965, p. 6) describes low-income as: "one that is not adequate to cover minimum necessities of life; namely, food, shelter, clothing, and health services." For the purposes of this study, low-income meant less than 1.5 times the official poverty level; this conformed to the eligibility definitions for the FTC program (Stump, 1976, pp. 462-463).

Family Training Center: The current name for a program which has operated until recently under the name Mountain Plains Education and Economic Development Program. That program was described by Perryman (1975) as:

> A program to achieve the economic rehabilitation of disadvantaged rural families from the six state region. In addition to fulfilling the charge of the Federal Government to develop a testing ground for delivery system techniques, Mountain-Plains has also focused on providing services to families which would materially assist them in becoming economically self-reliant (p. 1147).

Rural: There is a "lack of agreement on just what is rural;" the census-defined rural cannot "be used with accuracy to describe what common usage or the Congress considers to be rural. . . . It will probably be some time before this question is resolved;" however, "rural has been used to include people living in open spaces and towns of under 50,000 (Butz, 1976, pp. 3-4).

Young Family: The Home Economics Subcommittee of ECOP (1974) discussed the young family as one whose head was between 24 and 35; however, in this study the term was used to denote any family whose head was under 35 years of age.

CHAPTER II

REVIEW OF THE LITERATURE

> America's banks, the clergy, and social workers have been inundated with requests for financial counseling . . . we (bankers) are more experienced in high finance than family finance (Ford, 1975, p. 35).

There is more to understanding family financial management than clear-cut budgetary or economic considerations. As Ford's quote implies, more people are recognizing that there are two equally important aspects to family financial management--the economic considerations and the "human factors" (Ferber, 1973).

Schumacher (1973), an economist, severely criticized modern, civilized societies for overemphasizing the economic:

> Call a thing immoral or ugly, soul-destroying or a degradation of man, a peril to the peace of the world or to the well-being of future generations; as long as you have not shown it to be 'uneconomic' you have not really questioned it's right to exist, grow, and prosper (p. 42).

Schumacher argued, instead, that many monetary decisions have an "uneconomic character" --social, aesthetic, moral, or political--which cannot be ignored. Some of the problems this economist saw with the purely economic view are, first, it gives "vastly more weight to the short than the long term" (p. 43); and it excludes environmental considerations, because resources tend to be thought of as "free goods." Ultimately, says Schumacher, a purely economic approach "destroys man's freedom and power to choose the ends he really favours" (p. 51).

Schumacher's arguments for the "qualitative" as well as the "quantitative" are not unlike the philosophy called for by many of today's family financial educators. Wilhelms (1974, pp. 15-21) borrowed from Socrates and called it the "good life." His approach called for an examination of uneconomic, or "humanistic" values and encouraged educators to ask questions like, "what really matters most?" Troelstrup and Hall (1978, p. 68) devoted an entire chapter to value clarification in their family finance text and challenged readers to wrestle with the issue of "quality versus quantity of life."

This review of literature therefore not only examined the research of family economic situation, but also examined variables which affect the family's valuing process. The chapter consists of seven sections: Consumer Resource Management Concepts, Educational Needs and Financial Management Problems, Effects of Low-Income, Effects of Rural Residence, Characteristics of a Single-Head Family, Characteristics of Young and Early Middle-Age Families, and a Summary.

Consumer Resource Management Concepts

In 1977, Trujillo determined a need to define consumer education content and as a result sought to achieve the following objective:

> delineate the parameters of economic education and consumer education and develop a tool (model) which can be used to assess the focus and content of the two fields. . . . (p. 2).

While Trujillo's work was aimed at kindergarten through secondary school needs assessment, a primary justification for the study were the findings in a 1975 study by Kelso which reported the greatest deficiency in adult functional competency was in the area of consumer economics. The Trujillo study implied that the resulting model included the basic concepts required for functional competency in consumer economics. The concepts were divided into ten interrelated categories which included the content of consumer education and economic education needs. One of these ten categories was termed consumer resource management.

The concepts within the consumer resource management category which were voted by a panel of authorities to be the most necessary for consumer education and/or economic education included "planning," "opportunity cost," "budgets," "borrowing," "savings," "investing," "effects of inflation," "owning versus renting," "retirement," "insurance," "tax planning," "public goods and services," "shopping skills," "buying products," and "consumer information" (Trujillo, 1977, Appendix B). Two of the preceding 15 concepts were noted by the authorities as among the most basic concepts to <u>all</u> types of consumer education programs (not only consumer resource management programs). These two topics were "planning" and "borrowing." Following are reports of a number of less comprehensive but more detailed studies which were supportive of Trujillo's findings.

Educational Needs and Financial Management Problems

A study of the financial management practices of college students' wives concluded that

> while approximately one half of the respondents indicated that their incomes (were) inadequate, and that

> unexpected expenses and lack of savings were serious problems for them, less than 20 percent expressed the need for financial management information (Blackwell, 1967, p. 92).

An analysis of this group also indicated that their "marketing habits were expensive and they were wasteful in the use of their belongings" (p. 92). The study clearly indicated that perceived educational needs of the consumer were not the same as real needs. However, based on Dewey's (1915) assumption of perception of need as a prerequisite to learning readiness, this research examined financial management problems as perceived by the rural, low-income family member. It became apparent throughout the literature review, that financial management problems and educational needs were closely related; observed or reported occurrence of financial management problems often served as the basis for conclusions drawn about educational needs. The two, problems and educational needs, have therefore been reported together in this section.

Findings in the Blackwell (1967) study were loosely related to the concepts identified by Trujillo (1977). Expressed inadequacy of income and unexpected expenses implied inadequate planning; expensive marketing habits indicated a need for shopping skills; and wasteful use of belongings suggested a need for "consumer information."

The General Mills American Family Report (Yankelovich, Skelly, and White, 1975, p. 27) discussed 11 specific areas in which families need help. Only four of these areas--budgets, savings, credit, and debts--were directly concerned with the process of financial management and obviously related to the Trujillo concepts, but all were closely linked to financial management education. Some of the other seven areas were illustrative of the qualitative aspects of financial management. For example, entertainment, housework, and in some instances health, education, and communication skills represent uneconomic use of family resources--at least within the immediate budget. But few would argue with their contributions to "quality of life" or with their long-term influence upon finances.

In regard to the use of budgets, the Yankelovich (1975) study found

> One out of two families says it has some kind of a budget, but only 12% actually draw up any kind of formal or structured budget. Even informal budgeting appears to help in controlling family spending on nonessentials, though. Budgeting makes very little difference, however, when it comes to the basics of family spending--utilities, gasoline, most food items (p. 23).

And, the report concluded that "without more information and counseling . . . it seems likely that some of the Budgeters may give up their budgets and that few Nonbudgeters are likely to start" (p. 71). While families were "worried that their savings (were) losing value as a result of inflation," most still had a "commitment to the philosophy of saving" (p. 23). The educational need in the budgeting area, according to this study, seemed to be one of determining "when to draw on savings--and when not" (p. 27).

In 1975, Sydney Margolius presented the fourth annual Colston E. Warne Lecture before the American Council on Consumer Interests. Addressing the financial problems of the American consumer, Margolius (1975) identified the high cost of food, increasing medical expenses, housing costs, the effects of high interest rates, product quality problems leading to high repair bills, and increasing costs of car ownership. To deal effectively with these problems, the consumer needs a conceptual understanding of planning, budgeting, shopping skills, buying products, and consumer information.

Planning and buymanship concepts were likewise central to the financial problems of urban families reported by Williams, Nall, and Deck (1976). The study examined 11 specific financial management problems and found the most frequently identified problem was the inability to save money. Other problems, ordered from most frequent to least frequent, included: "inability to buy special things my kids want," "inability to buy new shoes or clothes," "not enough money" for medical expenses, "inability to meet large bills," "not having enough food to last until there (was) more," and not being able to afford "to keep equipment in repair" (p. 187). The four remaining problems were identified less than 25 percent of the time. Housing and utility costs were two of these problems.

While housing and utilities were not perceived by the Williams et al. study to be a major problem, Savings and Loan News reported that inflationary costs had forced families to allocate approximately two percent less than the traditional 25 percent of income to the housing budget in 1975. The report also emphasized that the relative cost of energy had been decreasing in the decade before 1973, at which time the trend reversed (Thygerson, 1975). Another study showed the population had spent 56 percent more on utilities in 1975 than one year earlier, in spite of the fact that most families reported life-style adjustment in response to inflation by cutting down on electricity use (Yankelovich et al., 1975, pp. 80-83). These studies again point to the disparity which may be present between actual needs and perceived needs.

Another of Trujillo's (1977) concepts, borrowing, called for an investigation of research on credit and debt. Yankelovich, Skelly, and White (1975, p. 27) reported a need to educate consumers on "how to meet and avoid debt" because of the impact carrying charges were having upon the financial situation. But other researchers reported that the goods and services obtained through installment debt represented satisfactions which could not be ignored, and education should therefore be focused upon the use of credit as a means of investment and should not be associated with poor management (Kinsey and Lane, 1978). No matter which view was supported, one point was agreed upon: consumers needed to know more about debt and credit (Hall, 1965; Mandell, 1973; Dauten and Dauten, 1976; Brandt, Day, and Deutscher, 1975).

Research showed that in spite of the Truth-in-Lending Act, most consumers did not know the amount of money they spent in finance charges because they did not understand the mathematical relationship with the annual percentage rate (APR). As a result of their study, Brandt et al. (1975) made these recommendations for education:

> Educational efforts should include some emphasis on the determination of dollar finance charges to counteract present misperceptions. . . . The present level of APR knowledge is probably sufficient to police the market and keep credit charges in line. However, to the extent that high-cost credit sources serve the least knowledgeable segments, they may not face significant pressure to compete on the basis of price. Even with the market functioning competitively there remains a need for consumers to know the dollar cost of a prospective credit purchase so the value of credit can be assessed prior to shopping (p. 31).

The need for credit or "borrowing" education became even more evident when analyzing the results of a study on the consumer's perception of credit-granting procedures. Dauten and Dauten (1976) concluded that

> Consumers overestimate the difficulty of obtaining bank loans and they underestimate the difficulty of obtaining finance company loans. This study suggests that, among loan officers sampled, the loan applicants had at least as good a chance of their loans being approved by a bank loan officer as by a finance company loan officer. The results reemphasize the importance of knowledgeable consumers in the credit granting process if loans are to be obtained at the best terms possible (p. 71).

"Savings," "investing," "retirement," "insurance," and "tax planning" fall under a category commonly referred to as financial security--"measured by one's ability to meet financial risks or emergencies and to plan for known future needs" (Home Economics Subcommittee of ECOP, 1974, p. 9). Troelstrup and Hall (1978, p. 100) discuss the principles of "immediate gratification versus deferred satisfaction." While they stress that neither principle is right or wrong, financial security does require postponement of gratification. The authors state deferred satisfactions are the "more difficult to learn and reinforce" (p. 101). This makes it easy to understand why low-income families, who often need all their income for basic necessities, might have little experience in the principle of deferred satisfaction and therefore might be less likely to perceive financial security problems. Indeed the Yankelovich study did find low-income families were more conscious of short-term than long-term problems. For this reason, this review of literature examined problems and educational implications in the financial security area from a most basic perspective.

A recent task force study found that "one in seven of the elderly now live in poverty, because they have been unable to attain financial security before retirement" (Home Economics Subcommittee of ECOP, 1974, p. 9). That task force felt that savings and investment plans should be operative 20 to 30 years prior to retirement in order to achieve financial security for retirement years. Cash savings and insurance were the most common methods used by United States families to achieve some security, but "many families have little, if any, savings or reserve funds" (p. 9). Recent attention has been focused upon the questionable nature of insurance policy savings because of extremely low interest rates (FTC News Summary, 1979) and the extreme difficulties in comparing policy costs to benefits (Corbett, 1978). Even those who have made plans have found that inflation reduces the value of their savings, pensions, and benefits, thereby diminishing buying power (Home Economics Subcommittee of ECOP, 1974, p. 9).

But families have also had some more immediate risk problems.

> Increasing costs of health care and court cases emphasize the need for adequate health and property protection. Despite the risks, many families have inadequate coverage for major health problems, damage to real property, and auto accidents (Home Economics Subcommittee of ECOP, 1974, p. 9).

Finally, "estate planning is frequently neglected in family financial management," resulting in high taxes and court costs (Home Economics Subcommittee of ECOP, 1974, p. 9).

Effects of Low-Income

The General Mills American Family Report implied a link between low-income and the frequency or severity of financial management problems by reporting that family money arguments were more likely to occur among low-income families (Yankelovich, Skelly, and White, 1975, p. 43). While this report did not attempt to statistically separate the main financial management problems identified by various income groups, it did give general insight into how the financial management problems of low-income families may differ.

The Yankelovich study (1975, pp. 49-50) found that, while families in general most often mentioned inflationary effects of the value of their savings and other long-term problems, families with lower levels of income were most concerned with the inability to make ends meet and other immediate problems. The report identified other immediate problems as unemployment, falling behind financially, use of savings for current expenses, and increasing debt. Another study found low-income shoppers were generally less informed about the product, shopped in fewer stores, and did less comparison shopping (Richards, 1968). The study also stressed the obvious fact that necessitities--in this case food, shelter, and medical expenses--accounted for larger shares of the low-income family's income. Richards (1968) also reported low-income families had a weakness for overspending on durable goods and specified appliances, radios, televisions, and phonograph equipment. However, Caplovitz's (1963) report of high credit costs and limited choice in credit-granting stores available to the poor might explain the high expenditures on durables. In spite of this, the problem identified by the Yankelovich (1975) and Richards (1968) studies do suggest a strong need for educational efforts in buymanship, planning, budgeting, and borrowing concepts.

Williams et al. (1976) reported that poverty families were more likely than non-poverty families to have the 11 previously quoted financial problems and experience them more frequently, with some exceptions: low-income was not associated with the reported incidence of problems in the areas of medical expenses, utilities, someone else spending the money, or loss of money. These areas were reported as consistent for all income groups. While the occurrence of utility bill problems was still low for both groups at the time of this study, the report suggested this was partially due to the fact that families viewed utilities as essential to survival and therefore had a tendency to pay this bill first. The budgetary problems, then, did not reveal themselves until later in the month. Not having enough money for food until the next pay period was the one area found to be significantly related to income.

> of families . . . below the poverty threshold, 52 percent 'sometimes' or 'often' had the food problem. Of families (above) the poverty threshold, 46 percent 'sometimes' or 'often' had the food problem (Williams et al., 1976, p. 191).

Since food is a basic necessity, this study suggests there was a need for some type of budgetary records and planning among all families, but the problem became more critical with low-income families.

The literature search also showed evidence that the other concept identified by Trujillo's (1977) experts as most necessary--borrowing--was more essential to low-income families. Hall (1965) reported low-income families have needed to use credit for necessities for many years and that

> more than a fourth indicated that they believed they had to use credit or do without necessities" (p. 76).

> More families had used credit for doctor and medicine bills than for any other purpose. Food purchases were the second major use of credit and the purchase of an automobile was the third largest use of credit (p. 75).

The study also reported that "more than a third of the families had missed some payments on installment credit" (p. 75). A more recent study also concluded that "consumer credit plays an important role in maintaining personal, household, and family expenses" of families with incomes under $5,000 (Cargill, 1973, p. 76). Mandell (1973) tested knowledge and understanding of credit and found it strongly related to income.

> In the case of income, mean accuracy rose strongly with increased levels except among the very highest income groups, that is, over $20,000 a year, where slight declines were noted, presumably as a result of less frequent use of installment credit (pp. 34-35).

While this may suggest low-income families have a better understanding of "borrowing" than other families, other research showed their knowledge was extremely limited and was not a comprehensive understanding of the concept. Brandt et al. (1975) found in a study on consumer understanding of the Truth-in-Lending Act that although those with

> lower incomes and less education (were) <u>more</u> likely to know the finance charges for a purchase . . . consumer knowledge about APRs have (had) the greatest gains among the more affluent, better educated and credit-experienced consumer (p. 30).

In addition to lacking tools to effectively compare interest rates, the borrowing problem was complicated by the fact that low-income families were considered a high risk and the choice of lenders was limited to neighborhood retailers or others who charged extremely high interest to compensate for this risk (Caplovitz, 1963).

Sources quoted earlier in this literature review stressed that low-income families more often perceived short-term financial management problems than long-range problems (Yankelovich, Skelly, and White, 1975). Aside from the likelihood of less practical experience in long-range planning, this perception is predictable based on Maslow's (1954) hierarchy of needs. Until physiological needs are met, the individual will not pursue safety needs. The financial security offered by the more long-term nature of "savings," "investing," "insurance," "retirement," "tax-planning," "opportunity costs," and the "owning vs. renting" decision are therefore likely to be less frequently perceived by those who still have concerns at the physiological needs level. This, of course, does not mean such problems are not present among low-income families; only that physiological needs may preclude the low-income population from perception of those problems. And, again, perception of needs will enhance the learning readiness of the individual (Dewey, 1915).

Effects of Rural Residence

While a sizeable amount of research has been done on the financial practices of rural or farm families, most of this research gave very general information and did not focus upon the type of family that made financial plans or the nature of the plans (Ferber, 1973). The limited research did indicate that rural populations were more likely to identify themselves as "savers" as opposed to "spenders." The report also found that only "15 percent" of families "who were not making out" resided in "small towns," "27 percent" were "rural," and the remaining families who were not making it resided in the "central city or suburb" (Yankelovich et al., 1975, p. 34). This, however, did not necessarily mean the groups were experiencing the same type of problems. Kinsey and Lane (1978) found in a study of debt that

> Rurality was significant in two instances. It decreased the probability of feeling worse off for family units whose heads were between 35 and 45 and for households who earned less than $5,000 per year (p. 55).

The Yankelovich (1975, p. 34) study also showed that "rural families" made up "30 percent" of the families "who (were) not making out" and reported a "standard of living worse than a year ago." Furthermore, the report found that "26 percent" of the population who stated their "standard of living compared to a year ago was worse," felt they were "too far in debt"; only "16 percent" of the total family population reported being "too far in debt" (p. 51).

Characteristics of a Single-Head Family

Although 1973 statistics showed that husband-wife families still predominated in the United States, the single-head family was reportedly becoming more common. Women accounted for the vast majority of these single-head households. ". . . in 1973, 6.6 million, 12% of all American families, were headed by women" (Institute of Life Insurance, 1974, p. 14) and projections at that time estimated that 25 percent of United States families, about 19 million, would be headed by women in 1980 (p. 15).

It was evidenced that families with a single-head had a lower income. About two-thirds of the women in the labor force worked because of an economic need and a second income substantially increased family income. The median contribution of all working wives to family income in 1972 was $3,682 or 27 percent of total family income (Institute of Life Insurance, 1974, p. 7).

In addition to carrying the burden of family income, the single-head had difficulty maintaining full-time year round employment. "In 1975, more than 50% of all divorced or separated women or working age headed their own families" (Grossman, 1977, p. 50). In 1974 data showed the presence of children was associated with the unemployment rate for both divorced and separated women heads--the rate decreased as the age of children increased. Besides lay-off, the most often cited reason for unemployment during part of the year was home responsibilities. Separated women gave this reason proportionately more often than divorced women. In contrast, fewer married women were unemployed during part of 1974, and a greater proportion had only one spell of unemployment during the year (Grossman, 1977). As the only income-source, the single-head's unemployment would tend to reduce the total family income to a proportionately lower degree than in families with two-earners; and since 1970, the overall unemployment rate of women who head families had been three or four percent above that for male heads and somewhat higher than the rate for wives (McEaddy, 1976).

As was true for any employed female, employed female family heads tended to hold jobs in lower-skilled, lower-paid occupations than employed male family heads.

> In 1974, the median income for all female family heads was $6,400, less than half that of husband-wife families--

> $13,800. About 2.8 million female heads had a total family income of less than $5,000 and almost 3 out of 4 of these women had children under 18 in the home (McEaddy, 1976, p. 7).

The median income for divorced women in 1974 was $5,600; separated women had a median income about $2,000 below that. Although the median personal income of married women was low at $3,300, family income was well above that of the divorced or separated woman's family (Grossman, 1977, pp. 52-53).

In 1977, a study reported 75 percent of working divorced women had children under 18 (66 percent with preschoolers); 60 percent of separated mothers with school age children worked (50 percent with preschoolers) (Grossman, 1977, p. 49). Therefore, in many cases, employed single-heads would have had child care expenses which severely reduced discretionary income. Credit counselors, financial planners, and market researchers have also pointed to drains upon working women's incomes in the form of higher wardrobe expenditures, more use of costly convenience foods as a time-saver, and costs of transportation to and from work (Coyle, 1979).

In summary, it was reportedly a common characteristic of families headed by women to live in poverty. Typically, the single-head of a poverty family had not graduated from high school, had little or no work experience within the past year, or had worked at a low-paying occupation (McEaddy, 1976).

Characteristics of Young and Early Middle-Age Families

The Home Economics Subcommittee of ECOP (1974) reported consumer competencies were especially important to young families and early middle-age families. Young families made many major financial decisions which affected the family's financial position for many years, yet they had small incomes and a limited amount of buying experience. During the middle years, families with adolescent children found severe pressure upon their resources. It was during this latter period that many women returned to work to help with the large expenditures.

However, a large proportion of both young and middle-age families used credit to maintain their standards of living. Many had become so fully extended that even a small emergency could result in a crisis (Home Economics Subcommittee of ECOP, 1974). Yet, as reported earlier, Kinsey and Lane (1978) found that rural families with heads between 35 and 45 were less inclined to feel "worse off" because of debt.

Young families were more inclined to use credit than any other age group. As they established homes they used credit not only to purchase housing, but also for furnishings and appliances.

> Sixty-six percent of the families in which the head was under 35 used this resource in 1971. A higher percentage of families in this age group had 10 percent or more of their income committed to repayment of installment debt than did families in other age groups (Home Economics Subcommittee of ECOP, 1974, p. 9).

Age affected other areas of financial management as well. The Yankelovich (1975, p. 62) study concluded that "age, rather than income" was the determinant of whether families were primarily "savers" or "spenders."

This study also implied that the early middle-age family was apt to experience financial stress when it reported that "45 percent" of money "arguers" fell between the ages of 35 and 54 years"; among "non-arguers" they found this percentage somewhat lower, only "36 percent." This was possibly linked to family status since "66 percent of (money) arguers" had "children 18 years of age or under" (Yankelovich, Skelly, and White, 1975, p. 44).

The age of women who head families has dropped in the last 20 years.

> Since 1960, their median age has dropped substantially from 50.5 to 43.4 years. In March, 1975, 1 of every 10 female family heads was under age 25, compared with 1 in every 25 in 1960. Even though this young age group typically experiences the greatest difficulties in the labor market, the unemployment rate of female family heads age 25 to 44 is also very high (McEaddy, 1976, p. 3).

Differences in financial management practices and disposable income could have implication for the type of financial management problems perceived or the frequency with which they occur. At least one study (Yankelovich, Skelly, and White, 1975) found evidence of increased stress among the early middle-age family.

Summary

As indicated by the review of literature in this chapter, many studies have been conducted on the financial management practices and problems of people. However, more work needs to be centered upon specific types of audiences, taking into account not only their actual needs, but also needs as perceived by the special audience. It is through such studies that educational programs can be designed which treat family financial management not only as economic decision-making, but also as a humanistic subject with qualitative considerations.

Examination of a special audience's perceived needs also enables program development in areas where the intended audience has a learning readiness--a prerequisite to effective education.

Authorities identified 15 concepts which they believed to be necessary for competency in the area of consumer resource management upon completion of a secondary education. Two of these concepts, planning and borrowing, stood out as among the most important concepts in all areas related to consumer education. The remaining 13 concepts included: (1) budgets, (2) savings, (3) investing, (4) effects of inflation, (5) shopping skills, (6) buying products, (7) consumer information, (8) insurance, (9) retirement, (10) tax planning, (11) opportunity costs, (12) owning vs. renting, and (13) public goods and services.

Educational needs identified through the study of financial management practices and problems related to most of these identified concepts. Most of the studies, however, were concerned with either a general population or examined one concept in depth. The literature suggested that more studies needed to take a broad look at the conceptual needs of specific audiences.

Low-income families were most concerned about immediate problems as opposed to long-term problems. Planning, borrowing, budgets, shopping skills, buying products, and consumer information stood out as the concepts most often found to be lacking and of concern to the low-income individual as well. Inflation and insurance problems were reported as severely effecting low-income persons; however, their long-term nature suggested they may not be as readily perceived by low-income people.

While there seemed to be a limited amount of research on financial management of rural people, there were some indications that they may perceive financial management practices somewhat differently than their urban counterparts--at least at some income levels and within certain age groups. Savings and borrowing surfaced as two possible areas of perceived differences.

Most single family-heads were reportedly women. Most of these women needed to work to supply their family with income; however, home responsibilities often conflicted with their work. In general, women held lower-paid, lower-skilled jobs than employed male family-heads. Their median income was less than half that for families with two adult members. The working woman may also have additional expenses associated with her employment. It was characteristic that a family headed by a single female lived in poverty.

Families in the young and early middle-age stages of the family life cycle had some of the heaviest demands upon their financial resources and were therefore in great need of financial management competencies. Both groups were heavy borrowers. Young families made decisions which affected their financial position for many years and there was some evidence that when families experienced even more demands upon income during early middle-age, the results was more family stress.

The author was not aware of any studies which comprehensively examined the perceived financial management problems of rural, low-income families and what effects the stage in the family life cycle or the number of adult members had upon those perceived problems. It was therefore the purpose of this study to examine possible differences in a selected sample. Chapter III discusses the research design.

CHAPTER III

RESEARCH DESIGN

As stated earlier, the purpose of this study was to examine perceived financial management problems of a selected group of rural, low-income families. The objectives were to examine any differences perceived by young families and early middle-age families, and to examine any differences perceived by single-head families and husband-wife families.

This chapter will describe the design of the study. The five sections are: Type of Research, Population and Sample, Instrumentation, Analysis of the Data, and Summary.

Type of Research

The type of design used in this study was descriptive. Best (1977, pp. 116-117) categorized descriptive studies into three different types--assessment, evaluation, and research. Although this authority stated assessment "does not provide recommendations," Best did submit that "there may be some implied judgement as to the satisfactoriness of the situation or the fulfillment of society's expectations" (p. 117). Guided by the purpose and objectives, this study assessed selected differences in the financial management problems of a rural, low-income population.

There were several methods by which assessment could be made, one of which was the survey. Compton and Hall (1972) defined survey research in terms of the bearing it had upon the variables set forth in objectives.

> It is explanatory or analytical in nature . . . inferences can be drawn from the samples to the whole population regarding the prevalence, distribution, and interrelations of economic, sociological, and psychological variables (p. 140).

In this study, the objectives sought to draw "inferences" concerning the "interrelations" of the criterion variables, financial management problems of rural, low-income families, which were related to the variates, age in family life cycle, and number of adult members of the family.

Population and Sample

The population consisted of a cluster of adult members of families who had low-income and resided in rural areas. Best (1977) discussed when the cluster sample was appropriate to research.

> The area or cluster sample is a variation of the simple random sample, particularly appropriate when the population of interest is infinite, where a list of the members of the population does not exist, or when the geographic distribution of the individuals is widely scattered. . . . A simple random sample would be impracticable (p. 271).

This study therefore used a cluster sampling since the population approached infinite proportions, could not be listed, and was geographically scattered. The sample was limited to participants of one vocational school for disadvantaged families--the FTC program at the former GAFB in Montana. This sample was selected because of the author's work with the program as a part of her employment and because of an interest in developing effective educational programs of interest to FTC.

General characteristics which described the cluster were indicated by the eligibility criteria for the program.

> The unit must constitute a family;
>
> The family must have a Poverty Index of less than 1.5 times the official poverty level;
>
> The family must live in a place defined as "rural";
>
> The head of the family must be physically able to work;
>
> The head of the family must be between the ages of 18 and 49; and
>
> The head of the family must have sufficient education (for the purposes of this report the head must have completed at least sixth grade) to be able to negotiate the curricula of a career education program (Stump, 1976, pp. 462-463).

The eligibility criteria for the program conformed to the variables set forth by the purpose and objectives of this study.

In 1975, over 900 families had entered the program. Statistical analysis of program participant's demographic characteristics to that point, more fully described the cluster.

> The total number of minorities equals 22.6 percent of the input, of which 72.5 percent of that group are Indian, 22.5 percent are Mexican American, and 3 percent are black. Single-parent families make up 18.8 percent of the total. . . .
>
> The average age of adult males is 27.
>
> The average age of adult females is 23. . . .
>
> The adults average 10.9 years of formal education; however, the average functional literacy rate for adults is only grade 8. . . .
>
> The average family income from all sources for the year prior to entry into the program is only $3,166.96.
>
> The proportion of poverty level families as defined by OEO guidelines is 60 percent (Perryman, 1975, p. 1150).

Within this clustered sampling, a stratification according to the stage in the family life cycle and number of adult family members was necessary to examine relationships suggested by the objectives.

In 1975, an evaluative study was made on the program. That study applied the eligibility criteria of income and residence to 1970 Census data and found

> . . . there were some 51.2 million primary families in the United States. Of these families, 20.3 million lived in places defined as rural and 10.1 million were defined as under 1.5 times the official poverty level (Stump, 1976, p. 463).

Total enrollment in the FTC Program at the time of the study was 95. Ninety-one surveys were completed by participants. Six surveys were disqualified due to incomplete or inconsistent responses, leaving an actual sample size of 85.

Krejcie and Morgan (1970, p. 603) suggested a sampling of "384" for a population of "1,000,000" and stated that sample size "remains relatively constant at slightly more than 380 cases" (p. 610). Because of the limited size of the sample, and because the study's limitations did not allow, a simple random sample was not possible. The results of this study therefore were not generalizable to the general population and conclusions were limited in application to current participants of the FTC program.

Instrumentation

On the basis of previously stated objectives, the research design and the sample, the researcher believed that a questionnaire would enable collection of the data with a minimum of inconvenience to participants and the Family Training Center organization. The questionnaire was administered through the payroll department and collected at participants' homes by the author.

Among the limitations of the questionnaire are the "diversity of meaning attributed to a question by various respondents" and "the amount of education (required) to understand the questions" (Compton and Hall, 1972, p. 240). Because the average literacy rate for adults in the FTC sample was an estimated grade 8 based upon figures for previous groups (Perryman, 1976, p. 4168), care was taken to construct questions suitable to the reading level and attention span of this group.

The first portion of the questionnaire requested background information: (a) age of the program participant, (b) sex, (c) marital status, (d) number and ages of the children. This information was necessary to stratify the sampling based on the variables.

The second portion of the questionnaire tested six specific problem areas based on the 15 concepts identified in the Trujillo study and limited by the review of literature. The six problem areas tested were: (a) planning and budgets, (b) borrowing, (c) saving and investing, (d) effects of inflation, (e) insurance, and (f) buymanship. These six concepts were most often identified as problematic for low-income families in the review of literature. "Planning" and "budgets" were combined under one area for this study because of the interrelated nature of the two concepts. For this same reason, "saving" and "investing" were combined and "shopping skills," "buying products," and "consumer information" were combined under a broader conceptual framework which Trujillo (1977) called "buymanship." A breakdown of the concept area tested by each question is contained in Appendix B.

A total of 30 questions tested five facets of perception and frequency within each concept area. A Likert-type interval scale was selected as the measuring device. The respondent was asked to circle the word which best described the frequency of the situational problem in his or her family. The five areas of the continuum were identified for respondents as follows:

> NEVER means you have never felt this way <u>or</u> you have not had the experience.
>
> RARELY means the situation occurred somewhat less than half of the time.
>
> SOMETIMES means you felt this way about half of the time.
>
> REGULARLY means you felt this way a lot of the time.
>
> OFTEN means you almost always felt this way.

Two additional items were included in the questionnaire to test the respondent's consistency of response. The "sleeper" questions asked the same basic question in reverse form. The author chose to use the "sleeper" questions rather than a proportionately balanced set of reversals because it was believed that reversal questions could be confusing and/or frustrating to participants with a low educational level and because opposite ends of the Likert-type scale were not perfect opposites by definition. It was therefore believed that adequate reversals could not be constructed. Question 31 was the sleeper form of question 7 and question 32 was a sleeper for question 29.

The 30 situations described earlier were developed by the author based upon financial management problems reported as present among low-income persons in the review of literature, reviewed by a statistician, several consumer educators, and members of a low-income organization. Revisions were made after each review. The instrument was pre-tested with nine social service and welfare aids who had been on low-income assistance programs prior to their employment, and who worked closely with low-income families on a daily basis. Revisions suggested by the pre-test were made prior to use with the study sample.

Analysis of the Data

As indicated earlier, the author selected five situation statements which theoretically measured participant perception of financial management problems in six concept areas. Each statement had been given equal weight for this study, but there was no attempt to statistically test the relationships between the five questions in each concept area.

A decision was made to eliminate the entire questionnaire completed by any respondent who failed to give a consistent response for at least one of the "sleeper" questions. It was decided to retain questionnaires which gave at least one consistent answer because of reversal confusion which may have occurred due to the low-educational level of the respondents and due to the difficulty in constructing true reversals on an unbalanced continuum. Responses were considered "consistent" if the response to the "sleeper" question fell on the opposite side of the midpoint ("SOMETIMES") of the continuum or both responses fell in the midpoint area. When each response on the continuum was assigned a numerical value--"1" indicated "NEVER," "2" indicated "RARELY," "3" indicated "SOMETIMES," "4" indicated "REGULARLY," and "5" indicated "OFTEN"--it was possible to determine consistency using the formula

$$\frac{Q + S}{2} = 3 \pm .5$$

where Q denotes the assigned numerical value of the response, S denotes the assigned numerical value of the sleeper, and "3" is the assigned numerical value of the midpoint.

In the preliminary analysis, frequency distribution and percentages were computed for all 30 items and the mean, median, and mode were computed for each item. Next, the five responses for each concept area were summed to determine a cumulative score with a possible range of 5 to 25 ("5" indicating all five situations for the concept area were reported as "never" present, and "25" indicating all five situations for the concept category were experienced "often"). A frequency distribution and percentages were reported for the cumulative score of each participant in each concept area and the mean, median, and mode were determined for each of the six concept areas. Subjective inferences suggested by this preliminary data gave general insights into how the clustered sample perceived their problems and gave the researcher valuable indications as to which specific problems and concepts were most highly perceived as important by the study sample. The description fulfilled a need suggested by the following general objectives:

To describe the perceived type and frequency of financial management problems of rural, low-income families, and

To identify the consumer resource management concept associated with frequently perceived financial management problems of the rural, low-income population as suggested by consumer education authorities in the review of literature.

Several statistical tests are possible in determining whether differences between groups are significant. Among them are analysis of variance, chi square, and the t-test. The t-test is used to determine a significant difference between the means of two sample groups (Compton and Hall, 1972, p. 351). The t-test was therefore appropriate to the following statistical hypotheses which were postulated for this study:

H_1: There will be no significant difference in the frequency of financial management problems perceived by young families and those perceived by early middle-age families in the rural, low-income population, and

H_2: There will be no significant difference in the frequency of financial management problems perceived by families with a single-head and those perceived by husband-wife families in the rural, low-income population.

Following is a description of the steps required to apply the t-test to each hypothesis:

Step 1: The cluster sample was stratified using the independent variables. (In H_1, age allowed stratification into young and early middle-age families and in H_2, marital status allowed stratification into single-head families and husband-wife families.) The mean of each problem category was determined for each stratified group.

Step 2: The variances of the two stratified groups were computed for each hypothesis using the formula

$$S^2 = \frac{\Sigma X^2}{N-1}$$

where S^2 denoted an unbiased estimate of the variance, Σ denotes summation, X denotes any variable, and N denotes the total number of cases (Best, 1977, p. 280).

Step 3: When small samples are involved, the Student's distribution of t using pooled variances is appropriate; however, to justify the method of pooled variances there must be homogeneity of the variances. An F-test was used to determine whether this equality of variances existed (Best, 1977, pp. 282-284). The formula

$$F = \frac{S^2 \text{ (larger variance)}}{S^2 \text{ (smaller variance)}} \qquad \text{(p. 284)}$$

yielded a calculated F ratio which was compared to a critical value table at N-1 degrees of freedom and a .05 level of significance. The variances were homogeneous and the difference was not significant if the tabled value was greater than the calculated value (p. 284).

Step 4: Where homogeneity of variances existed, the Student's distribution of t was applied to the matched pair (young vs. early middle age family; or, single-head vs. husband-wife family) for each of the six concept areas using the formula:

$$t = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\frac{(N_1 - 1)S_1^2 + (N_2 - 1)S_2^2}{N_1 + N_2 - 2} \; \frac{1}{N_1} + \frac{1}{N_2}}}$$

where $\overline{X}_1$ denotes the mean of the first sample, $\overline{X}_2$ denotes the mean of the second sample, N_1 denotes the number of cases in sample one, N_2 denotes the number of cases in sample two, S_1^2 denotes the variance of the first sample, and S_2^2 denotes the variance of the second sample (p. 285).

Step 5: The degrees of freedom were calculated using the equation

$$df = N_1 + N_2 - 2$$

where N_1 denotes the number of cases in sample one, and N_2 denotes the number of cases in sample two (p. 280), and the t-distribution table-value for a two-tailed hypothesis at the .05 level of significance was determined.

Step 6: The t-distribution table value was compared to the calculated t-test statistic value. If the calculated t-value exceeded the tabled value, the null hypothesis

> was rejected and it was concluded that there was sufficient evidence to indicate the null hypothesis was not true. If the calculated t-test statistic value was less than the table value, the null hypothesis was accepted and it was concluded that there was not sufficient evidence to indicate the hypothesis was not true (p. 285).

Summary

This study was a descriptive assessment of selected differences in perceived financial management problems of a rural, low-income population. The author chose to study the Family Training Center Program located at the former Glasgow Air Force Base in Montana.

The questionnaire consisted of two parts--"background information" and the "personal situation poll." The "personal situation poll" consisted of 30 situational problems--five from each of six concept areas. Concepts tested by the questionnaire were: (a) planning and budgets, (b) borrowing, (c) saving and investing, (d) insurance, (e) effects of inflation, and (f) buymanship. Respondents were asked to report the frequency of the situational problems on a 5-point Likert-type scale. The questionnaire was pre-tested and revised prior to adminstering it to sample. Eighty-five returned questionnaires were suitable for analysis.

Based upon responses to background information, the cluster was stratified by stage in the family life cycle and marital status. The null hypotheses were tested using the t-test of significant difference.

CHAPTER IV

ANALYSIS OF THE DATA

The study was designed to examine the perceived financial management problems of rural, low-income families and to determine if there were any differences in the problems perceived by respondents and selected independent variables--stage in the family life cycle and marital status.

The original research sample consisted of 91 rural, low-income family members who were enrolled in the Family Training Center located at the former Glasgow Air Force Base in Montana. Total program enrollment at the time of the study was 95. This was a 95.8 percent participation rate of the potential sample. As explained earlier, a decision was made to disqualify any respondent's survey which failed to give a consistent response for at least one of the "sleeper" questions. This resulted in an actual sample size of 85 or 88.9% of the total potential sample. A complete summary of the responses to the survey situations in relation to the matched "sleeper" questions is contained in Appendix C. The five sections of Chapter IV which describe the sample and their responses are: Characteristics of the Respondents, Description of Perceived Financial Management Problems, Differences in Financial Management Problems Between the Age Groups, Differences in Financial Management Problems in Relation to Marital Status, and Findings Related to Sex of Respondent and Presence of Children.

Characteristics of the Respondents

Table I summarizes the socio-demographic characteristics requested on the questionnaire. Those variables included age, sex, marital status, number of children five years of age or less, and number of children over five but less than 18 years of age.

There were six categories for the respondent's age; however, none of the respondents were in the 46-50 category. A majority of the respondents were in the age category 18-25 (60%). Seventy-six respondents (89.4%) were in the group defined as young families--those in which the respondent was 35 years old or under. Nine respondents (10.6%) were defined as early middle-age (between 36 and 50 years), with the majority of that group (eight respondents) falling between 36 and 40 years of age.

The largest portion of the sample was female (72%) and 28% of the respondents were male. Three respondents did not indicate sex.

Slightly more than 54% of the respondents were married; single, divorced, widowed, or separated persons represented 45.8% of the sample. Two female respondents failed to indicate marital status.

Respondents were asked to indicate the number of children five years old or less and the number of children over five but less than 18 residing in the household. One did not respond and another indicated there were children in the five years or less category but did not indicate how many. Among those who did respond, the total number of children under 18 years of age living in the household ranged from zero to five. The greatest proportion of the respondents had one child (42.2%). Respondents with two children accounted for 21.7% of

TABLE I

CHARACTERISTICS OF THE RESPONDENTS

Characteristics	Number Responding	Percent
Age		
18-25	51	60.0
26-30	15	17.6
31-35	10	11.8
36-40	8	9.4
41-45	1	1.2
	85	100.0
Sex		
Female	59	72.0
Male	23	28.0
	82	100.0
Marital Status		
Single, Divorced, Widowed, or Separated	38	45.8
Married	45	54.2
	83	100.0
Total Number of Children Under 18 Years		
No children	11	13.3
One child	35	42.2
Two children	18	21.7
Three children	8	9.6
Four children	8	9.6
Five children	3	3.6
	83	100.0

the sample. Three children and four children were each reported by eight respondents (9.6%). Five children were reported by only three respondents (3.6%). Eleven respondents (13.3%) had no children under 18 residing in the household.

Table II presents a detailed summarization of the number of children reported by respondents in each age category. By far the largest number of respondents (29) had an only child five years of age or less. This relatively large number is understandable because of the high percentage of respondents in early child-bearing years. Forty-six respondents (54.8%) had no children over five years but under 18. Forty respondents (47.6%) reported one child five years or less, but this category was followed quite closely by respondents with no children under six (38.1%). These figures reemphasize the currently small size of the families involved in the study.

Description of Perceived Financial Management Problems

The second sections of the questionnaire asked respondents to indicate the frequency with which they had experienced problematic situations in the conceptual areas of planning and budgets, saving and investing, borrowing, effects of inflation, insurance, and buymanship. Each of these areas is discussed below.

In general, the rural, low-income respondents felt that problems in the six conceptual areas did not take place often or with regularity. Tables III and IV report the sample's perceptions in different ways. Table III translates frequency into a percentage of the

TABLE II

NUMBER OF RESPONDENTS REPORTING CHILDREN UNDER 18 LIVING IN HOUSEHOLD BY AGE CATEGORY AND NUMBER OF CHILDREN IN EACH CATEGORY

Children 5-17 Years	Children Five Years or Less					
	None	One	Two	Three	Not Known*	
None	11	29	4	1	1	46 (54.8%)
One	6	7	0	0	0	13 (15.5%)
Two	7	2	3	1	0	13 (15.5%)
Three	5	2	2	0	0	9 (10.7%)
Four	3	0	0	0	0	3 (3.6%)
	32 (36.1%)	40 (47.6%)	9 (10.7%)	2 (2.1%)	1 (1.2%)	N = 90*

*One respondent reported only that children were five years or less, but failed to report the number of children. This accounts for the discrepancy between N's value in Table I and in Table II.

TABLE III

PERCENTAGE OF PERCEIVED FINANCIAL MANAGEMENT PROBLEMS FOR ALL RESPONDENTS

Perceived Problem	Never	Rarely	Sometimes	Regularly	Often	Total Number of Responses
Planning and Budgets	11.6	26.2	34.2	14.6	13.4	424
Question 7	10.6	22.4	37.6	17.6	11.8	85
10	17.9	31.0	32.1	11.9	7.1	84
11	8.2	12.9	31.8	20.0	27.1	85
20	8.2	30.6	35.3	14.1	11.8	85
26	12.9	34.1	34.1	9.4	9.4	85
Saving and Investing	17.2	16.2	26.8	20.7	19.1	425
Question 14	16.5	12.9	27.1	23.5	20.0	85
17	49.4	29.4	10.6	9.4	1.2	85
19	8.2	14.1	24.7	24.7	28.2	85
24	5.9	12.9	34.1	24.7	22.4	85
29	5.9	11.8	37.6	21.2	23.5	85
Borrowing	16.4	26.1	28.2	12.3	17.1	422
Question 4	13.3	22.9	27.7	9.6	26.5	83
5	18.8	44.7	22.4	2.4	11.8	85
6	5.9	12.9	28.2	23.5	29.4	85
15	25.0	25.0	29.8	9.5	10.7	84
30	18.8	24.7	32.9	16.5	7.1	85

TABLE III (Continued)

Perceived Problem	Never	Rarely	Sometimes	Regularly	Often	Total Number of Responses
Effects of Inflation	9.6	14.8	27.3	24.5	23.8	425
Question 2	3.5	14.1	21.2	27.1	34.1	85
3	10.6	16.5	27.1	21.2	24.7	85
21	2.4	5.9	28.2	32.9	30.6	85
23	5.9	14.1	32.9	21.2	25.9	85
27	25.9	23.5	27.1	20.0	3.5	85
Insurance	15.8	18.9	37.5	15.3	12.5	424
Question 1	18.6	23.5	36.5	9.4	11.8	85
13	14.1	17.6	35.3	17.6	15.3	85
18	10.6	22.4	37.6	12.9	16.5	85
22	11.8	12.9	41.2	20.0	14.1	85
25	23.8	17.9	36.9	16.7	4.8	84
Buymanship	19.5	31.6	30.6	10.5	7.8	421
Question 8	10.7	40.5	29.8	13.1	6.0	84
9	25.0	29.8	23.8	11.9	9.5	84
12	20.0	23.5	32.9	11.8	11.8	85
16	17.9	27.4	38.1	9.5	7.1	84
28	23.8	36.9	28.6	6.0	4.8	84

TABLE IV

CENTRAL TENDENCY OF FINANCIAL MANAGEMENT PROBLEMS*

Perceived Problem	Mean	Median	Mode	Number of Respondents
Planning and Budgets	14.7	14.3	13	84**
Question 7	3.0	3.0	3	85
10	2.6	2.5	3	84
11	3.4	3.4	3	85
20	2.9	2.8	3	85
26	2.7	2.6	2.3	85
Saving and Investing	15.4	15.4	14	85
Question 14	3.2	3.3	3	85
17	1.8	1.5	1	85
19	3.5	3.6	5	85
24	3.4	3.4	3	85
29	3.4	3.4	3	85
Borrowing	14.5	14.5	14.16	82
Question 4	3.1	3.0	3	83
5	2.4	2.2	2	85
6	3.6	3.6	5	85
15	2.6	2.5	3	84
30	2.7	2.7	3	85
Effects of Inflation	16.9	16.8	21	85
Question 2	3.7	3.9	5	85
3	3.3	3.3	3	85
21	3.8	3.9	4	85
23	3.5	2.4	3	85
27	2.5	2.5	3	85
Insurance	14.5	14.1	14	84
Question 1	2.7	2.7	3	85
13	3.0	3.0	3	85
18	3.0	3.0	3	85
22	3.1	3.1	3	85
25	2.6	2.7	3	84
Buymanship	12.8	12.8	13	82
Question 8	2.6	2.5	2	84
9	2.5	2.3	2	84
12	2.7	2.7	3	85

TABLE IV (Continued)

Perceived Problem	Mean	Median	Mode	Number of Respondents
Buymanship (Cont.)				
Question 16	2.6	2.6	3	84
28	2.3	2.2	2	84

*Central tendency indicators for problem categories were computed on the cumulative scores with a minimum value of "5" and a maximum value of "25." Central tendency indicators for individual questions were computed on the five-point scale of the questionnaire (minimum = 1, maximum = 5).

**Any respondent who failed to answer one or more questions within the concept area was not used in the determination of central tendency for the problem category.

reporting sample and Table IV summarizes the data in terms of the mean, median, and mode. It should be noted that while central tendency for individual questions was based upon the five-point scale of the questionnaire, with "3" being the midpoint (indicative of "sometimes" on the continuum), central tendency for concept areas was based upon the cumulative score. Concept areas, therefore, had a possible range of "5" through "25" and "15" was the scale midpoint.

Respondents perceived planning and budget problems to occur somewhat less than "sometimes" but considerably more than "rarely." Approximately one-third of the sample consistently responded with "sometimes" to the five situations in this category. Of the situations, estimating expenses for the pay period (Question 10) and keeping track of expenditures (Question 26) were least often perceived as trouble areas by the respondents. (Refer to Appendix A for exact statement of the situational problems.) The mean response for these questions were 2.6 and 2.7, respectively. Interestingly, the most highly perceived problem in this category was finding enough money for unexpected bills (Question 11). This problem was reported to occur "often" by 27.1% and another 20% experienced the problem "regularly," resulting in a mean score of 3.4. The somewhat contradictory responses suggest that respondents may not have difficulty estimating the regular monthly bills, but overlook expenses which occur at less frequent intervals. Controlling expenditures (Question 20) and the controlling of debt size (Question 7) fell somewhere between these extremes in the perception of planning and budgeting problems.

Saving and investing was one of the more highly perceived problem areas, with the mean (15.4) and median (15.4) falling slightly above "sometimes." With the exception of one situational problem--losing money on things that promised a big pay-off (Question 17)--the responses tended to center between "sometimes" and "regularly." Respondents indicated that there was not enough money left at the end of the month to be worth saving (Question 14), savings had been spent on basic necessities (Question 24), it was hard to find enough money to take advantage of sales (Question 29), and they worried about having little or no savings (Question 19). Lack of savings was the respondents' greatest concern, with 28.2% reporting that they "often" worried and another 24.7% indicating they worried "regularly." Question 17 had the lowest mean of any question on the survey with 49.4% reporting they had "never" lost money in hopes of a big pay-off.

Respondents had varied reactions to the situational problems in the borrowing area. Worrying about the amount of money that was owed (Question 6) had the highest mean response in the category (3.6) and 29.4% of the sample indicated this was "often" a problem. Respondents reported that they usually do not have difficulty understanding credit contracts (Question 5); 44.7% said this problem "rarely" occurred, resulting in a mean score of 2.4. Yet, the mean score for a situation stating that credit ends up costing more than expected (Question 30) was 2.7. While rapidly increasing interest rates could account for a portion of those who misjudge credit costs, the difference might also indicate that some respondents perceive a greater understanding of credit contracts than they actually have. The ability to obtain credit when it was needed (Question 4) was "often" a problem for 26.5% of the sample; however, few respondents reportedly did not understand the reasons for credit denial (Question 15).

Effects of inflation was perceived by respondents as the category which caused the most frequent problems. The mean score for this category was 16.9, considerably higher than the mean for other categories. Three of the questions dealt with expenditures increasing more rapidly than assets. For each of these questions the mean response was greater than 3.0. However, the question which required a more complex understanding of inflation--inflation causing higher interest rates (Question 27)--had a relatively low mean response (2.5). This indicates that respondents did have problems as a result of inflation, but did not have a clear enough understanding of the concept of inflation to be aware of all of it's effects. This was reemphasized by the fact that only two respondents "never" worried and five respondents "rarely" worried about the rate of price increases (Question 23).

"Sometimes" was the reaction of over 35% of the respondents to each of the insurance questions. This response was probably partially due to the periodic nature of insurance dealings. However, the number who said insurance situational problems "never" occurred was relatively high, averaging 15.8% of the sample. Few reported frequent problems in understanding how insurance works (Question 1) or with expectations of greater coverage (Question 25). Slightly more wondered how much insurance to buy (Question 13) or had difficulty understanding the language in policies (Question 18). The most often reported problem in the insurance area was having limited funds to purchase insurance (Question 22).

Respondents did not often perceive problems related to their buymanship skills. This category received the lowest mean score (12.8) and the mean and median for individual questions consistently fell between "rarely" and "sometimes." Respondents indicated the most frequent problem in this category was finding someone other than sales people to explain money contracts they didn't understand (Question 12). Ten said this "regularly" occurred and an additional 10 reported it was "often" a problem. Other situations, ranked in descending order of respondent perception were: (1) not knowing which product to buy when making major purchases--Question 16, (2) difficulty in finding stores or brands that cost less--Question 8, (3) trouble finding someone to give advice on money problems--Question 9, and (4) having to throw out merchandise because it broke or didn't perform satisfactorily--Question 28.

Differences in Financial Management Problems Between the Age Groups

This analysis was conducted to see if the frequency of perceived financial management problems were different for young families than for early middle-age families. Cumulative scores were compiled for each of the six concept areas while controlling the respondent's age. Cumulative scores were based on responses to the five questions keyed to each concept area (Appendix B) and had a possible range of "5" to "25." A response of "never" to all five questions resulted in a cumulative score of "5"; a response of "often" to all five questions resulted in a score of "25." In the event a respondent had failed to answer one or more questions in a concept area, the respondent was eliminated from the sample before analysis of that concept.

Table V shows the F-test resulted in a confirmation of variance homogeneity for all six concept areas at a .05 level of significance. The Student's distribution of t was therefore appropriate to determine whether significant differences existed between the mean scores for each age group (α=.05).

Table VI indicates the level of significance was greater than .05 for all concepts in relation to age. For this reason H_1:

> There will be no significant difference in the frequency of financial management problems perceived by young families and those perceived by early middle-age families in the rural, low-income population,

TABLE V

ANALYSIS OF VARIANCE TABLE FOR CONCEPTS ACCORDING TO AGE GROUP

Description	Number*	Mean	F Score	Level of Significance
Planning and Budgets				
Young	75	14.87	1.30	0.7406
Early Middle-Age	9	12.89		
Saving and Investing				
Young	76	15.53	1.64	0.8296
Early Middle-Age	9	14.44		
Borrowing				
Young	73	14.48	1.53	0.3228
Early Middle-Age	9	14.33		
Effects of Inflation				
Young	76	16.76	1.97	0.3043
Early Middle-Age	9	18.00		
Insurance				
Young	75	14.52	1.07	0.7899
Early Middle-Age	9	14.44		
Buymanship				
Young	73	12.80	1.03	0.8490
Early Middle-Age	9	12.33		

*N varies because some respondents failed to answer certain items.

TABLE VI

T-TEST ANALYSIS OF CONCEPTS
ACCORDING TO AGE GROUP

Description	Number*	Mean	Standard Deviation	Minimum	Maximum	t Score	Degrees of Freedom	Level of Significance
Planning and Budgets								
Young	75	14.87	4.24	5	25	1.34	82	0.1846
Early Middle-Age	9	12.89	3.72	5	19			
Saving and Investing								
Young	76	15.53	4.05	7	24	0.76	83	0.4514
Early Middle-Age	9	14.44	4.13	7	20			
Borrowing								
Young	73	14.48	3.94	5	24	0.10	80	0.9187
Early Middle-Age	9	14.33	4.87	5	20			
Effects of Inflation								
Young	76	16.76	4.16	8	24	-0.86	83	0.3896
Early Middle-Age	9	18.00	2.96	16	22			
Insurance								
Young	75	14.52	4.22	6	25			
Early Middle-Age	9	14.44	4.36	8	22	0.05	82	0.9598
Buymanship								
Young	73	12.80	4.04	5	23	0.39	80	0.6977
Early Middle-Age	9	12.33	4.09	5	19			

*N varies because some respondents failed to answer certain items.

was accepted even though early middle-age respondents reported more frequent problems in all conceptual areas except "effects of inflation."

Financial Management Problems in
Relation to Marital Status

This analysis focused on perceived differences of financial management problems controlled by a factor of marital status. Respondents were divided into married and single-head households. Cumulative scores for conceptual areas and elimination of respondents who failed to answer items in a category were handled in the same manner as the age group analysis. Preliminary analysis again showed variances to be homogeneous for all categories and the Student's distribution of t was therefore appropriate (Table VII) at a .05 level of significance.

Single-heads tended to report more frequent problems in all areas except planning and budgets, but there seemed to be very little difference in the range of cumulative score responses or concentration of scores about the mean for the two groups (Table VIII). Indeed, examination of the probability factor in the t-test results showed that the differences observed in the mean scores did not occur at significant levels (α=.05) and there was also acceptance of H_2:

> There will be no significant difference in the frequency of financial management problems perceived by families with a single-head than those perceived by husband-wife families in the rural, low-income population.

TABLE VII

ANALYSIS OF VARIANCE TABLE FOR CONCEPTS
ACCORDING TO MARITAL STATUS

Description	Number*	Mean	F Score	Level of Significance
Planning and Budgets				
Single-Head	36	14.47	1.12	0.7332
Married	44	14.75		
Saving and Investing				
Single-Head	38	15.97	1.19	0.5841
Married	45	15.07		
Borrowing				
Single-Head	36	14.67	1.47	0.2274
Married	45	14.40		
Effects of Inflation				
Single-Head	38	17.34	1.04	0.9008
Married	45	16.69		
Insurance				
Single-Head	38	14.92	1.07	0.8351
Married	45	14.02		
Buymanship				
Single-Head	36	13.08	1.11	0.7599
Married	44	12.59		

*N varies because some respondents failed to answer certain items.

TABLE VIII

T-TEST ANALYSIS OF CONCEPTS ACCORDING TO MARITAL STATUS

Description	Number*	Mean	Standard Deviation	Minimum	Maximum	t Score	Degrees of Freedom	Level of Significance
Planning and Budgets								
Single-Head	36	14.47	4.15	5	25	-0.29	80	0.7714
Married	44	14.75	4.39	5	25			
Saving and Investing								
Single-Head	38	15.97	4.25	7	24	1.01	81	0.3137
Married	45	15.07	3.90	7	24			
Borrowing								
Single-Head	36	14.67	4.45	5	22	0.30	79	0.7682
Married	45	14.40	3.67	5	24			
Effects of Inflation								
Single-Head	38	17.34	4.06	10	24	0.74	81	0.4624
Married	45	16.69	3.98	8	24			
Insurance								
Single-Head	38	14.92	4.10	6	23	0.98	81	0.3314
Married	45	14.02	4.24	7	25			
Buymanship								
Single-Head	36	13.08	3.97	5	22	0.54	78	0.5938
Married	44	12.59	4.18	5	23			

*N varies because some respondents failed to answer certain items.

Findings Related to Sex of Respondent and Presence of Children

In addition to examining the hypothesized differences, this study analyzed the differences controlled by the sex variable, the presence of children under six years old, and the presence of children between 6 and 17 years old. The analyses were handled in the same manner as the hypotheses variables.

Table IX shows the results of the F-test for the sex variable; variances were again found to be equal for all concept areas (α=.05). Female respondents perceived more frequent problems in all conceptual areas than male respondents. The range of responses and standard deviations for the two groups were very comparable (Table X); however, the female's responses did tend to be slightly more clustered about the mean in the area of saving and investing. And, in the borrowing category, males reported on the high frequency end of the scale. This was possibly an isolated case since the standard deviation for males showed less deviation from the mean than females. However, at the .05 level of significance, the t-test showed

> There was no significant difference in financial management problems reported by males and problems reported by females.

Although no significant difference was found for either marital status or age variables, the literature often mentioned the presence and ages of children when discussing these variables, so it was decided to analyze the responses in relation to the child factors.

TABLE IX

ANALYSIS OF VARIANCE TABLE FOR CONCEPTS ACCORDING TO SEX

Description	Number*	Mean	F Score	Level of Significance
Planning and Budgets				
Female	59	15.02	1.08	0.8751
Male	22	13.82		
Saving and Investing				
Female	59	15.64	1.44	0.2687
Male	23	15.00		
Borrowing				
Female	57	14.58	1.21	0.6441
Male	22	14.18		
Effects of Inflation				
Female	59	16.95	1.01	1.0000
Male	23	16.43		
Insurance				
Female	58	14.60	1.10	0.8374
Male	23	14.00		
Buymanship				
Female	56	12.95	1.14	0.6737
Male	23	12.74		

*N varies because some respondents failed to answer certain items.

TABLE X

T-TEST ANALYSIS OF CONCEPTS ACCORDING TO SEX

Description	Number*	Mean	Standard Deviation	Minimum	Maximum	t Score	Degrees of Freedom	Level of Significnace
Planning and Budgets								
Female	59	15.02	4.12	5	25	1.18	79	0.2426
Male	22	13.82	3.96	5	22			
Saving and Investing								
Female	59	15.64	3.70	7	24	0.67	80	0.5055
Male	23	15.00	4.44	7	24			
Borrowing								
Female	57	14.58	4.03	5	22	0.40	77	0.6883
Male	22	14.18	3.66	5	24			
Effects of Inflation								
Female	59	16.95	4.09	8	24	0.51	80	0.6098
Male	23	16.43	4.07	9	24			
Insurance								
Female	58	14.60	4.30	6	25	0.58	79	0.5654
Male	23	14.00	4.10	7	24			
Buymanship								
Female	56	12.95	3.70	5	22	0.22	77	0.8253
Male	23	12.74	3.96	5	20			

*N varies because some respondents failed to answer certain items.

The F-test showed variance homogeneity for both groups in all concept areas. The results of those analyses are reported in Table XI (children under six residing in the home) and Table XII (children 6-17 residing in the home). A probability factor of .05 was again stated.

Examination of the relationship of the means shows that respondents with children under six years perceived more frequent problems than respondents who did not have children under six in all categories except inflation (Table XI). However, in families with children over six (Table XII) perceived frequency was less than that reported by families who had no children over six, for all categories except inflation. Since only 17 families had children in both age groups (Table II), it appears that families with children under six have more frequent problems than families with children over six. But since the young respondents tended to report more frequent problems than older respondents, except in the inflation category (Table VI), it is not clear whether the tendency is linked to respondent age, age of their children, or both.

While most of the differences were again not at a significant level (α=.05), the difference in perceived frequency of insurance problems was significant for respondents with children under six years (Table XIII). Interestingly, insurance was not significant for respondents with children 6-17 years old (Table XIV). It is therefore the age of the children and not the presence of children in the home which is linked to this difference in perceived financial management of insurance. Because 17 respondents were included in both the group with children under six and the group with 6-17 year olds (Table II),

TABLE XI

ANALYSIS OF VARIANCE TABLE FOR CONCEPTS: FAMILIES WITH AND WITHOUT CHILDREN UNDER SIX YEARS

Description	Number*	Mean	F Score	Level of Significance
Planning and Budgets				
With children under six years	51	14.80	1.12	0.7017
Without	32	14.38		
Saving and Investing				
With children under six years	52	15.65	1.04	0.9255
Without	32	15.04		
Borrowing				
With children under six years	52	14.63	1.51	0.2344
Without	30	14.17		
Effects of Inflation				
With children under six years	52	16.94	1.38	0.3397
Without	32	17.06		
Insurance				
With children under six years	52	15.29	1.11	0.7582
Without	32	13.25		
Buymanship				
With children under six years	49	13.39	1.01	0.9685
Without	32	11.97		

*N varies because some respondents failed to answer certain items.

TABLE XII

ANALYSIS OF VARIANCE TABLE FOR CONCEPTS: FAMILIES WITH AND WITHOUT CHILDREN 6-17 YEARS

Description	Number*	Mean	F Score	Level of Significance
Planning and Budgets				
With children 6-17 years	37	14.35	1.29	0.4198
Without	46	14.87		
Saving and Investing				
With children 6-17 years	36	15.16	1.15	0.6471
Without	46	15.65		
Borrowing				
With children 6-17 years	37	14.41	1.37	0.3154
Without	45	14.51		
Effects of Inflation				
With children 6-17 years	38	17.76	1.01	0.9572
Without	46	16.35		
Insurance				
With children 6-17 years	38	14.50	1.38	0.3030
Without	46	14.52		
Buymanship				
With children 6-17 years	37	12.38	1.10	0.7559
Without	44	13.20		

*N varies because some respondents failed to answer certain items.

TABLE XIII

T-TEST ANALYSIS OF CONCEPTS: FAMILIES WITH AND WITHOUT CHILDREN UNDER SIX YEARS

Description	Number*	Mean	Standard Deviation	Mini-mum	Maxi-mum	t Score	Degrees of Freedom	Level of Significance
Planning and Budgets								
With children under six years	51	14.80	4.16	5	23	-0.48	81	0.6560
Without	32	14.38	4.40	5	25			
Savings and Investing								
With children under six years	52	15.65	4.11	7	24	-0.64	82	0.5208
Without	32	15.06	4.03	7	21			
Borrowing								
With children under six years	52	14.63	4.31	5	24	-0.51	80	0.6143
Without	30	14.17	3.50	5	21			
Effects of Inflation								
With children under six years	52	16.94	4.23	8	24	0.13	82	0.8940
Without	32	17.06	3.60	11	23			
Insurance								
With children under six years	52	15.29	4.20	6	25	-2.20	82	0.0303**
Without	32	13.25	3.98	7	23			
Buymanship								
With children under six years	49	13.39	4.01	5	23	-1.56	79	0.1238
Without	32	11.97	4.02	5	19			

*N varies because some respondents failed to answer certain items.

**Significant difference.

TABLE XIV

T-TEST ANALYSIS OF CONCEPTS: FAMILIES WITH AND WITHOUT CHILDREN 6-17 YEARS

Description	Number*	Mean	Standard Deviation	Mini-mum	Maxi-mum	t Score	Degrees of Freedom	Level of Significance
Planning and Budgets								
With children 6-17 years	37	14.35	4.54	5	25	0.55	81	0.5824
Without	46	14.87	4.00	8	25			
Saving and Investing								
With children 6-17 years	36	15.16	4.24	7	24	0.55	82	0.5824
Without	46	15.65	3.95	7	24			
Borrowing								
With children 6-17 years	37	14.41	4.38	5	22	0.18	80	0.9065
Without	45	14.51	3.74	8	24			
Effects of Inflation								
With children 6-17 years	38	17.76	3.96	8	23	-1.16	82	0.1052
Without	46	16.35	3.93	9	24			
Insurance								
With children 6-17 years	38	14.50	4.60	8	25	0.02	82	0.9814
Without	46	14.52	3.91	6	22			
Buymanship								
With children 6-17 years	37	12.38	4.16	5	20	0.91	79	0.3636
Without	44	13.20	3.96	6	23			

*N varies because some respondents failed to answer certain items.

there were indications that the frequency of perceived problems was particularly high for respondents who only had children under six. Respondents with very young families no doubt are particularly aware of their responsibility for their children and for the first time become involved in purchasing insurance. There is also a possibility that they have been more recently approached by insurance salespersons. They may therefore be keenly aware of the costs of insurance, and have many more questions on the amount of insurance to buy and what various policies actually cover. By the time they have older children, the respondents may not have been approached as recently by insurance salespeople, or they have become somewhat more knowledgeable about insurance and/or less cognizant of any confusion that insurance may have held for them in earlier years. This suggests it is particularly important to have insurance education available to families immediately upon arrival of their first children since learning readiness probably declines as the children reach school age. However, studies of more depth are needed in this area to determine specific reasons for the problems and the age of the children when more frequent perception of problems begins.

CHAPTER V

SUMMARY AND RECOMMENDATIONS

Summary

Financial management problems continue to increase in spite of a long history of educational efforts. The growing role of money in the total realm of family resources forces families to deal with complex economic issues--issues which over 70 million Americans (Kelso, 1977) are ill prepared to handle.

The problem is not simply solved by providing people with the information they need. Educators need to be cognizant of innumerable variables which are associated with "qualitatively" influenced decisions. While educators may never fully understand what their students view as the "good life," research can help direct efforts toward areas which are of general concern to specific audiences. Dewey (1915) theorized the extreme importance of timing educational efforts to coincide with the maturing needs of the recipient. His theory continues to be relevant today. The purpose of this study was to examine the perceived financial management problems of a selected group of rural, low-income families in order to better understand their perceived needs and provide timely information in areas compatible with their quest for the "good life."

A questionnaire was developed by the author to examine the perceived financial management problems of rural, low-income families in six conceptual areas: (1) planning and budgets, (2) saving and investing, (3) borrowing, (4) effects of inflation, (5) insurance, and (6) buymanship. The questionnaire consisted of two parts--background information and the personal situation poll. The first part enabled stratification according to the hypotheses variables, age, and marital status of the adult family member. Sex of the respondent and presence of children under six years and between 6 and 17 years was also requested and subsequently analyzed in the study. The second portion consisted of five questions in each conceptual area designed to elicit perceived frequency of financial management problems using a five-point Likert-type scale.

In the fall of 1979, questionnaires were administered to participants in the Family Training Center program. FTC is a six state program designed to reeducate rural, low-income families who have experienced problems in financial management; it is located at the former Glasgow Air Force Base in Montana. A total of 85 questionnaires were obtained and judged suitable for analysis based on consistency of prearranged "sleeper" question responses.

Five independent variables were analyzed for significant difference at a level of α=.05 or below using the Student's distribution of t. Variance homogeneity, a condition necessary for appropriate use of the "Student's t," was confirmed in each of the six categories for all variables by F-tests. T-test results for the two null hypothesis postulated for the study and three additional sets of variables which were examined, are reported below.

Major Findings

Descriptive analysis of the responses showed the total sample perceived their most frequent problems in the "effects of inflation" category, followed by the "saving and investing" category. The lowest perceived frequency of problems was reported for "buymanship."

Hypothesis 1 was that there will be no significant difference in the frequency of financial management problems perceived by young families and those perceived by early middle-age families in the rural, low-income population. Young families were defined as those in which the respondent was between 18 and 35 years of age; early middle-age families were defined as those in which the respondent was 36 to 50 years old. The null hypothesis was accepted at a significance level of α=.05 or below for all six categories. The age variable was therefore not significant to perceived frequency of financial management problems of the sample.

Hypothesis 2 was that there will be no significant difference in the frequency of financial management problems perceived by families with single-heads and those perceived by husband-wife families in a rural, low-income population. The null hypothesis was again accepted at a significance level of α=.05 or below for all six categories. And, it was therefore concluded that marital status was not significant to perceived frequency of financial management problems of the sample.

The sex variable tested the null hypothesis that there will be no significant difference in the frequency of financial management problems perceived by male respondents and those perceived by female respondents. For all categories, this hypothesis was also accepted at a significance level of α=.05 or below. It was concluded that sex of the respondent was not significant to perceived financial management problems of the sample.

To test the significance that age and presence of children might have upon the perceived frequency of financial management problems of a rural, low-income population, two null hypotheses were postulated:

1. There will be no significant difference in the frequency of financial management problems perceived by families in which children under six years reside and those families who have no children under six, and
2. There will be no significant difference in the frequency of financial management problems perceived by families in which children between 6 and 17 years reside and those families who have no children aged 6 through 17.

The first of these hypotheses was accepted for the following conceptual areas: (a) planning and budgets, (b) saving and investing, (c) borrowing, (d) effects of inflation, and (e) buymanship. However, this hypothesis was rejected at the significance level of α=.05 or below for the insurance category. This indicated that the presence of preschool age children in the family was accompanied by an increase in the frequency of perceived financial management problems of the rural, low-income sample.

The hypothesis relating to children between 6 and 17 years of age was accepted for all six categories at a significance level of α=.05 or below. It was therefore concluded that the presence of 6 through 17 year old children was not significant to perceived frequency of financial management problems of the sample.

Observations

Since questionnaires were collected at the program participant's home, the author had the opportunity to visit personally with the low-income respondents in an informal setting. Personal contact was unquestionably responsible for the high percentage of questionnaires returned. Few respondents had completed the survey prior to the author's visit and over half had destroyed or misplaced the form originally provided through payroll. However, instructors discussed program participants' vulnerability to door-to-door sales with the author, and this was readily confirmed by the eagerness with which many welcomed a stranger into their home. Several expressed feelings of isolation from family and friends. On occasions the author felt respondents completed the survey partly because it provided temporary companionship.

It was also observed that most families watched television. In all but a few cases, family members were watching television when the author arrived. Television would seem to be a good way to reach many of the families. Few homes had telephones, and judging from comments made about announcements (and the author's experience with the questionnaire), few of the participants would read newsletters or become aware of program opportunities through newspapers or memos. Personal contact would seem the best way to publicize programs. However, facts are reportedly easily twisted, so written publicity should reinforce the personal contacts.

Transportation was also an expressed problem for many, and many of the single-parents did not appear to have a car. Public transportation was extremely limited. There is a possibility that field trips would draw larger numbers and be an effective teaching tool. One respondent, who appeared to be quite well-educated and involved in community activities, suggested this approach. She stated that while they received excellent information in core consumer classes, many program participants could not easily apply the information to their own situations and therefore quickly forgot the information. She felt field trips would be exciting and realistic experiences for participants in the program.

Several respondents were concerned with a lack of activities for their children. It would appear that youth groups would have much interest. However, it was also reported by at least two respondents that even though a large number may sign up for activities (adult or youth), few actually carry through with attendance. This has also been observed by the author in earlier attempts to organize youth activities in the community. Again, field trips might encourage more participation. It is also possible that adults might be reached through programs directly targeted at their children.

A great deal of caution must be used before making any generalizations about the sample, as the diversity of lifestyles, attitudes, and opinions of respondents was extremely evident from observations and conversations. However, bearing this in mind, some of the comments made in informal conversations, provided insights to the author which could explain certain responses or suggest opportunities for educational involvement.

One respondent, interestingly, had been exposed to and tried the "pay yourself first" concept in saving. Totally unsolicited from the author, this respondent reported that this had solved many financial problems for their family and expressed the opinion that this was the single most important idea that other families in the program needed to learn.

Two or three respondents suggested that other participants in the program had financial problems because they were overextended in credit purchases. This opinion was supported by the number of respondents who reported that they worried about their debts on the questionnaire. Although the author refrained from asking any questions, several respondents spoke of their time payments--usually for a television or a car. These areas might serve as good subject matter for studying credit contracts. When speaking of time payments, these respondents spoke in terms of the cost per month, not the total cost of the item or the rate of interest as Mandell's study found was typical.

The topic of insurance elicited several comments. One of two respondents suggested that they weren't concerned with insurance because they did not buy much of it--they needed money for other things. One admitted she did not understand anything about insurance, but wasn't interested because her "Dad (took) care of all (her) insurance." Several reported knowing "all about insurance" because they had discussed it in core classes. The author interpreted these comments to mean that respondents did not wish to have more information about insurance at this time and educational efforts in this area would not meet with success. The mean score of perceived problem frequency for the insurance concept was supportive of this interpretation except for families with children under six. This exception is addressed more fully below.

Educational Implications of Study Findings

As a result of this study, the author plans to develop programs and materials which specifically address question content which was reported on the higher-frequency end of the scale. Although limited in scope and depth, this contact will provide opportunities to further explore the perceived needs of this special audience.

Many educational efforts in financial management for low-income families appear to focus upon buymanship. These findings suggest that among families with financial management problems, there may be better ways to approach consumer education than through buymanship concepts. It is easier for individuals to objectively discuss concepts such as inflation as a cause of financial problems, than admit buymanship concerns which tend to focus responsibility on personal ineptitudes. Therefore, educational efforts which appeal from the former viewpoint might be more effective. Although buymanship may well be an actual need, using a less direct approach enables the educator to avoid some statements which could be interpreted by program recipients as negative or critical. Such situations could build antagonism toward the educator and result in rejection of the conceptual ideas presented. In this sense, the "buymanship" approach could be unfortunate. Far more interest might be generated by using a conceptual approach to which program recipients could admit to problems without also admitting to personal failure.

Although the inflation concept was perceived as the most problematic, the author feels there would be some advantages in approaching consumer education programs from a "savings" viewpoint. There are more opportunities to integrate consumer education concepts with positive, practical experiences which build confidence and competence in resource management. Secondly, the "saving" approach more naturally leads to personal acceptance of management responsibilities than the "inflation" approach. However, either approach gives the educator opportunities to teach basic principles in all of the conceptual areas. As an example, a practical experience in the "pay yourself first" principle of savings could be directed toward a short-term goal of having enough money for an upcoming sale. Opportunities for discussing planning, short-term investments, inflation, and buymanship are all immediately apparent in such an experience.

The study indicated little need to adjust content emphasis for program participants regardless of their age, marital status, sex, or the age or number of children in the family home. Insurance information, however, is an exception. Families who have children under six years of age perceived problems in this area significantly more frequently. Therefore, special efforts should be made to teach insurance concepts to families with preschool children. The onset of readiness is not, however, clearly apparent from this study. Recommendations for future research in this area are discussed later. Since there are no other areas which exhibit significant differences, the educator can, for the most part, design a single program approach which will be effective regardless of type of audience. Such efficiency in program design will allow the educator to utilize more time to perfect teaching skills and keep content current and pertinent.

Although the study indicated little need to adjust content emphasis for classes within this sample which have different variable make-ups, one exception does exist. Insurance information should be concentrated upon families who have children under six years of age, as this group had a significantly higher perceived frequency of insurance problems.

Recommendations

It seems apparent that rural, low-income families do not always perceive their financial management problems to be in the same areas or to the same extent as authorities would assess. However, in order to effectively teach, information needs to be presented in areas where recipients perceive a need for more information.

In order to assist rural, low-income families in relation to family financial management, the author recommends that:

1. A study, with an expanded sample, be designed and implemented to investigate the financial management problems of the rural, low-income family.

2. Other studies be designed and implemented to examine other variables which may have some impact upon perceptions of financial management problems. Race and educational background are two suggested variables.

3. Studies designed to compare responses of a rural sample with those of an urban sample help educators better interpret applicability of present studies to specific audiences with which they work.

4. Expanded studies of perceptions of the rural, low-income in each concept area would help develop specific subject matter for use with rural, low-income families. There is a particular need for

studies designed to further investigate the insurance concept in relation to children. There is a need to know specific types of problems that families with preschool children perceive, and there needs to be more conclusive indicators of the age of children when insurance problems are most highly perceived by a family's adult members.

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APPENDIXES

APPENDIX A

CORRESPONDENCE AND QUESTIONNAIRE

September 5, 1979

Dear Mountain Plains Student:

As Valley County Extension Agent, I am interested in presenting programs and preparing bulletins which will be of interest to you and others at Mountain Plains. In order to do this, I need to know more about your situation. Would you help me by taking five or ten minutes to answer a few questions about some of the problems you and your family face in trying to make ends meet? Your answers will be completely anonymous and will help me prepare the kinds of information you feel you need most.

I am currently on leave, studying consumer resources at Oklahoma State University. Your participation will help me finish my studies and return to work in Valley County later this fall. I will look forward to meeting and working with each of you!

Sincerely,

Sara B. Saunders

William L. Johnston
Study Adviser

Dear Family Training Center Student:

As I indicated in an earlier memo, I will soon be returning to work as Valley County Extension Agent. The Extension Service is an extension of Montana State University and provides information to adults and youth who cannot or do not wish to attend formal college classes. The Extension staff provides information in areas which affect your daily life. As Extension Home Economist, I present free classes to groups throughout the county on many subjects. A few examples of topics which are often requested include:

Foods--canning, nutrition, weight-control, gardening, specialty cooking

Clothing--sewing, selection, alterations, fitting

Housing--decorating, reupholstering, refinishing, appliance selection

Consumer Information--shopping tips, insurance, money management, credit, community resources

Family Relations and Child Development

In addition to presenting classes, our office stocks over a thousand pamphlets which are usually free. We work with many organizations to help plan community programs or activities, publish newsletters, write newspaper articles, and present radio programs for area residents.

Faced with choosing a topic for a thesis, my concern was that the research be useful in preparing programs of interest to people with whom I work. I have worked with FTC students and instructors in the past and plan to again when I return to work. I feel it is important to find out the interest and concerns of FTC students so I can develop written materials or programs for you and those who follow you at FTC.

Any information you provide on this survey is entirely <u>confidential</u> and <u>cannot be identified with you</u> as an individual by design of the study. Your honest answers will be greatly appreciated and used <u>only</u> to develop programs for <u>FTC student benefit</u>. Your participation is entirely voluntary and you need not answer any question you prefer not to answer. This study had to be limited to only one topic, but if you wish to suggest other topic areas or comment on any question, space is provided at the end of the survey.

Thank you for taking the time to consider my request. Anyone who participates and wants a copy of the results may give me a self-addressed envelope when you return the survey or may mail your name and address to me at the address below.

Sara B. Saunders
Ft. Peck Route
Glasgow, Montana 59230

Background Information

Please check or fill in the answer to the following questions. Do not put your name on these pages.

A. Age: ___18-25 ___26-30 ___31-35 ___36-40 ___41-45 ___46-50

B. Sex: ___Female ___Male

C. Marital Status: ___Single, Divorced, Widowed, or Separated ___Married

D. How many members of your household are five years old or less?

___

E. How many members of your household are over five, but less than 18 years old? ___

Personal Situation Poll

Listed below are experiences many people have. Please circle the word which best says how often you felt this way before entering the FTC program. There is no right or wrong answer except your honest reaction.

NEVER means you have never felt this way or you have not had the experience.
RARELY means the situation occurred somewhat less than half of the time.
SOMETIMES means you felt this way about half of the time.
REGULARLY means you felt this way a lot of the time.
OFTEN means you almost always felt this way.

1. I wonder what insurance to buy because I don't understand how insurance works.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

2. The price of things we save for goes up faster than our savings balance.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

3. Our food and rent goes up more than my pay.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

4. I have trouble getting credit when I really need it.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

5. I find it hard to understand credit contracts I sign.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

6. I worry about the amount of money I owe.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

7. I feel it is impossible to keep my debts from getting larger.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

8. I have trouble finding stores and/or brands that cost less.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

9. I have trouble finding someone to give me advice on money problems when I want it.

   NEVER RARELY SOMETIMES REGULARLY OFTEN

10. I have trouble estimating how much my expenses are going to be for each pay period.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

11. I find it hard to find enough money for unexpected bills.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

12. It is hard to find someone other than sales people to explain money contracts I don't understand.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

13. I wonder how much insurance I really need to buy.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

14. I feel the money left over at the end of a pay period is so small that it is not worth saving.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

15. It is hard to understand why I can sometimes borrow money and other times I can't.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

16. When I have to buy something big, I have trouble knowing which product to buy.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

17. I have lost money because I bought things that promised a big pay-off.

    NEVER RARELY SOMETIMES REGULARLY OFTEN

18. I find it hard to understand the language in insurance policies.
NEVER RARELY SOMETIMES REGULARLY OFTEN

x 19. I worry about having so little or no savings.
NEVER RARELY SOMETIMES REGULARLY OFTEN

20. I have trouble controlling what our family spends.
NEVER RARELY SOMETIMES REGULARLY OFTEN

x 21. I worry about how fast prices go up.
NEVER RARELY SOMETIMES REGULARLY OFTEN

22. I worry because we have little money to buy insurance.
NEVER RARELY SOMETIMES REGULARLY OFTEN

x 23. I have less money to "stock-up" on sale items because of inflation.
NEVER RARELY SOMETIMES REGULARLY OFTEN

x 24. I've had to spend our savings for basic necessities.
NEVER RARELY SOMETIMES REGULARLY OFTEN

25. I have expected insurance to cover more than it does.
NEVER RARELY SOMETIMES REGULARLY OFTEN

26. I have trouble keeping track of where we spend our money.
NEVER RARELY SOMETIMES REGULARLY OFTEN

27. Inflation is making me pay higher interest rates on money I borrow.
NEVER RARELY SOMETIMES REGULARLY OFTEN

28. I have to throw out things I buy because they break or don't do what I'd expected.
NEVER RARELY SOMETIMES REGULARLY OFTEN

x 29. I have trouble finding enough money to take advantage of good sales.
NEVER RARELY SOMETIMES REGULARLY OFTEN

30. Credit seems to end up costing more than I'd expected.
NEVER RARELY SOMETIMES REGULARLY OFTEN

31. I can keep my debts from getting larger by planning.
NEVER RARELY SOMETIMES REGULARLY OFTEN

32. I have some money to spend at good sales.

NEVER RARELY SOMETIMES REGULARLY OFTEN

YOUR COMMENTS AND SUGGESTIONS for programs at FTC:

APPENDIX B

KEY TO QUESTIONNAIRE CONCEPTS

TABLE XV

KEY TO QUESTIONNAIRE CONCEPTS

Concept	Frequency Rating Question
Planning and Budgets	7, 10, 11, 20, 26
Saving and Investing	14, 17, 19, 24, 29
Borrowing	4, 5, 6, 15, 30
Effects of Inflation	2, 3, 21, 23, 27
Insurance	1, 13, 18, 22, 25
Buymanship	8, 9, 12, 16, 28

APPENDIX C

ANALYSIS OF SLEEPER QUESTIONS

TABLE XVI

FREQUENCY OF RESPONSES TO QUESTION 31
IN RELATION TO QUESTION 7*

Question 31 Responses	Question 7 Responses					
	Never	Rarely	Sometimes	Regularly	Often	
Never	0 (2)	0	0	1	2	3 (5)**
Rarely	0 (1)	3 (4)	1	2	3	9 (11)
Sometimes	1	7	19	6	2 (4)	35 (37)
Regularly	6	6	5	5	1	23
Often	2	3	7	1	2	15
	9 (12)	19 (20)	32	15	10 (12)	N=85 (91)

*Responses falling between the heavy diagonal lines were considered consistent; those outside were inconsistent.

**Figures in parenthesis represent responses eliminated from study due to a failure to answer consistently on at least one of the "sleeper" questions.

TABLE XVII

FREQUENCY OF RESPONSES TO QUESTION 32
IN RELATION TO QUESTION 29*

Question 32 Responses	Question 29 Responses					
	Never	Rarely	Sometimes	Regularly	Often	
Never	0	0	1	0	5	
Rarely	1	1 (3)	4	8	9	23 (25)**
Sometimes	3 (4)	5	24	10	5 (8)	47 (51)
Regularly	1	3	3	0	0	7
Often	0	1	0	0	1	2
	5 (6)	10 (12)	32	18	20 (23)	N=85 (91)

*Responses falling between the heavy diagonal lines were considered consistent; those outside were inconsistent.

**Figures in parenthesis represent responses eliminated from study due to a failure to answer consistently on at least one of the "sleeper" questions.

VITA [2]

Sara Beth Saunders

Candidate for the Degree of

Master of Science

Thesis: PERCEIVED FINANCIAL MANAGEMENT PROBLEMS OF RURAL, LOW-INCOME FAMILIES IN THE FAMILY TRAINING CENTER PROGRAM

Major Field: Housing, Design, and Consumer Resources

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Professional Experience: Home Economics and English teacher, Choteau High School, Choteau, Montana, 1970-72; Assistant Custer County Extension Agent, Miles City, Montana, September, 1972 to July, 1973; Valley County Extension Agent, Glasgow, Montana, 1973-79; graduate teaching assistant, Oklahoma State University, Housing, Design, and Consumer Resources, Division of Home Economics, August, 1978 to December, 1978.

Professional Organizations: Montana Association of County Extension Agents, Montana Association of Extension Home Economists, Glasgow Business and Professional Women's Club, Soroptimist International of Glasgow.